

APPENDIX B

FOREIGN ECONOMIC INTELLIGENCE REQUIREMENTS  
RELATING TO THE NATIONAL SECURITY

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S-E-C-R-E-T

S-E-C-R-E-T

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RELATING TO THE NATIONAL SECURITY

I. Functions of Foreign Economic Intelligence as it Relates to the  
Security of the United States

A. The primary function of foreign economic intelligence in the service of national security is to provide the basis for United States policy formulation and action by: (1) providing a factual and objective analysis of the economic situation in foreign countries as it affects the interests of the United States; (2) determining probable future developments of concern to the United States through analysis of economic factors; and (3) assisting, on the basis of economic evidence, in determining the feasibility and probable consequences of alternative courses of action open to the United States.

B. A great many agencies of the United States Government in the discharge of their own special missions collect economic information and perform economic research concerning foreign countries.<sup>1/</sup> Virtually all of this information and research is or may be relevant to one or another specific problem of national security. It is the primary duty of the agencies represented on the Intelligence Advisory Committee to see to it that data collected and analyzed for many purposes is brought to bear on national security problems, and that such additional information is collected and analyzed as may be necessary to furnish the answers to critical security problems.

Accordingly, this paper, while recognizing the need for the fullest interchange among all interested parties, concentrates its attention on the requirements of the IAC agencies for economic intelligence relating to the national security.

C. In order to determine how the relatively limited economic intelligence facilities, both within and outside the Government, can make their maximum contribution, and in what directions their efforts most need to be augmented, it is necessary that there be established and maintained machinery for combined economic intelligence analysis on a priority basis. Such machinery is recommended elsewhere in this report. The purpose of this statement of requirements is to suggest the perspective in which a continuing program of priority intelligence problems might be viewed.

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<sup>1/</sup> A summary of the nature and extent of such economic intelligence is included in this report as Appendix C.

S-E-C-R-E-T

S-E-C-R-E-T

D. Such a program must include:

1. Defining authoritatively the economic reports most needed in support of United States national security policies and actions.
2. Determining the particular economic research studies, of an ad hoc or continuing character, most urgent and essential as a basis for the reports listed in 1 above.
3. Organizing the requisite economic reports and research studies, including the allocation of tasks among the various interested and competent agencies and the merging of the results of individual analyses.
4. Defining and arranging for the collection of the economic information, not already available in the Government, which is most essential to the preparation of the estimates and research studies listed in 1 and 2 above.
5. Reviewing the processing facilities (translation facilities, industrial registers, document indexing, map production, etc.) and the techniques of analysis needed to exploit raw intelligence materials most effectively.

The following section (Section II) attempts a classification of the reports and studies needed primarily for Government policy and planning purposes. Some of these might form the basis for National Intelligence Estimates or might be combined with other factors to support National Intelligence Estimates of a wider scope. Section III outlines the categories of operational intelligence interest which must be covered by one or more of the intelligence agencies on a continuing or ad hoc basis.

The outline of research and information requirements must be designed to support the intelligence studies outlined in Sections II and III, and will, in part, grow out of these studies as they progress.

## II. Foreign Economic Reports and Estimates Most Needed in Support of National Security Plans and Policies

### A. Introduction

The gravest threat to the security of the United States and the free world within the foreseeable future stems from the hostile designs and formidable power of the USSR, and from the nature of the Soviet system. At least for the immediate future, therefore, first priority should be given to economic analysis in support of policies relating to the conflict between the Soviet and the non-Soviet worlds. This requires intelligence relating to the capabilities, the vulnerabilities, and the intentions or

S-E-C-R-E-T

S-E-C-R-E-T

probable courses of action of three main groups of countries: (1) the USSR and its satellites, including China; (2) the principal European and Asiatic allies of the United States; and (3) a band of countries on the fringe of the iron curtain not now clearly in either camp, but potentially contributing to the strength of one or the other. Also important to national security is intelligence relating to particular resources in the rest of the world, principally in Africa and Latin America, which contribute significantly to the strength of either center of power.

Studies directed at the capabilities of a country or complex of countries should be designed to reveal what limitations the economies of these countries place on what they can do, now and in the future. This relates not only to their capabilities to take military action and cold war measures, but also to their capacity to provide their populations with the rising standards of living necessary to political stability under free institutions. Vulnerability studies focus on the susceptibility of one country to the application, by another power, of selected devices designed to reduce its capabilities; in other words, how we can hurt them or they can hurt us. Studies of intentions or probable courses of action seek to present evidence which will reveal which of several alternative courses of action a country will follow.

It is tempting to divide intelligence problems into those concerned with the maintenance of the peace and the strengthening of free institutions, and those relating to the conduct of war if war should become unavoidable. This dichotomy overlooks the twin facts that policies to maintain peace must be based on the best possible intelligence as to relative military strength and intentions, and that the outcome of a war, should it come, will depend importantly on the stability and effectiveness of civilian economies. Hence in illuminating the major policy problems facing us, intelligence as to military capabilities must be closely blended with analyses of civilian economic development.

The framework of the outline below reflects United States security interests in the capabilities, vulnerabilities and probable courses of action of the three sets of countries noted above and in the strategic resources of the rest of the world. Within this framework are examples of reports and estimates that should be given priority treatment in the foreign economic intelligence effort.

B. Economic Analyses Relating to the USSR and its Satellites

The problem of economic intelligence relating to the iron curtain countries is a special one in several respects. Considering the present state of our knowledge, this area probably has a higher priority for additional intelligence effort than any other. There is a great need for intense effort in the collection of detailed information on this area. This collection is more difficult and costly here than elsewhere, and hence the sharp definition of priority requirements for

B-3

S-E-C-R-E-T

S-E-C-R-E-T

collection is more urgent. Also the cost and difficulty of collection place a greater premium here than elsewhere on the development of special techniques to extract the maximum amount of information from the limited data obtainable. In view of the hostile intentions of the Soviet bloc, analysis of its capabilities for military and non-military aggression, its vulnerabilities, and its intentions must take priority at the moment over estimates of its capabilities for peaceful economic development. In general our present knowledge of certain industries and intermediate segments of the Soviet economy, while weak, is better than our knowledge of the aggregate resources and capabilities of the economies as a whole, either of the USSR proper or of the whole Soviet bloc. There is also great need for accurate knowledge of the civilian and military requirements of the economy of the Soviet orbit under conditions of "cold" and active war.

While it is recognized that Soviet control over Communist China is possibly less rigid and direct than that over the Eastern European satellites, it is believed that within the framework of this paper, China should most logically be classified as a satellite.

Examples of high priority economic intelligence projects are as follows:

1. Analysis of the economic capabilities of the USSR and its satellites to engage in military action or to employ "cold war" measures against the United States and its allies or against "neutrals"

- a. Wartime Capabilities of the Soviet Bloc to Meet Essential Civilian and Military Requirements for Selected Critical Items (e.g., electronics equipment, copper, tin, aviation fuel, special machine tools, ferro-alloying metals, precision instruments, natural rubber, etc.)
- b. Economic Capabilities of the Soviet Bloc to Develop and Produce Selected Military Items (e.g. atomic weapons, guided missiles, germ warfare agents, radar, long-range jet bombers, tanks, submarines, etc.)
- c. Effect on Soviet Economic Capabilities for Prolonged War of the Acquisition by the USSR of Additional Areas, Such as a) Western Europe, b) the Middle East, c) Japan, d) Southeast Asia
- d. Over-all Economic Capabilities of the Soviet Bloc as a Whole Simultaneously to Conduct Specified Military Campaigns and Maintain Essential Civilian and Military Production
- e. Effect of the Korean War Combined with Western Export Controls on the Capabilities of the Chinese Economy Both With and Without Soviet Assistance...

B-4

S-E-C-R-E-T

S-E-C-R-E-T

f. Economic Capability of the European Satellites Unassisted by the USSR to Wage War on Yugoslavia. Requirements for Soviet Assistance

g. Capabilities of the Soviet Bloc to Wage Economic Warfare Against Non-Soviet Nations

2. Analysis of the economic vulnerability of the USSR and its satellites to measures of economic warfare, psychological warfare and to military attack, including strategic bombing

a. Vulnerability of the Soviet and Satellite Economies, Including China's, to Strategic Bombing with Particular Reference to Their Vulnerability to A-bomb Attack

b. Vulnerability of the Soviet Bloc as a Whole to a Western Program of Economic Warfare. Relative Vulnerability to Various Measures - Overt and Covert

c. Vulnerability of the Chinese Economy to Western Controls on (a) Exports to China (b) Shipping

d. Vulnerability of the Soviet and Satellite Economies to a Program of Induced Defection of Key Technical and Industrial Personnel

e. Vulnerability of the Soviet and Satellite Food Supply to Biological Warfare

3. Analysis of economic indications of probable Soviet and satellite courses of military, and political action and analysis of all indications of probable courses of economic action

a. Economic Activity Within the USSR and Its Satellites Which Might Reveal Their Intention to Resort to Military Action

b. Patterns of Allocation of Economic Resources for the Production of Military Items Within the Soviet Bloc Which Might Reveal the Kind of Military Operations Contemplated

c. Courses of Action Likely to be Taken by the USSR in Response to an Effective Western Program of Export Controls

d. Soviet Economic Measures With Respect to China Which Might Reveal the Extent of the Political and Economic Integration of These Countries

e. Evidence Which Might Suggest What Air Target Systems the Soviets Would be Likely to Adopt for Western Europe

B-5

S-E-C-R-E-T

S-E-C-R-E-T

C. Economic Analysis Relating to the Principal European and Asiatic Allies of the United States

This group of countries poses very different intelligence problems from those of the Soviet Bloc. In the first place, a great deal of detailed economic information about them is either actually or potentially available. Secondly much more work has been done in analyzing the aggregate resources and capabilities of these countries than in the detailed analysis of particular industries, facilities, and services. Nevertheless, this detailed information can be secured with much less cost and risk than in the case of the USSR. Hence special research techniques to exploit every scrap of data are less urgent than effective programs of data collection, collation, and analysis by more conventional means.

Since the intentions of these countries can be more directly observed, a lower priority attaches to economic evidences of their intentions than in the case of the USSR. Their capabilities to contribute to the military strength of the West are important, but their capacity to stabilize and develop their over-all economies is of equally great concern. Since they are in the main industrially mature economies, the intelligence about them of concern to us generally relates less to basic resource development than in the third and fourth groups (Sections D and E below) and more to economic organization, finance, and industrial structure. Their economic vulnerabilities to military attack, sabotage of all kinds and economic warfare are subjects of very high priority.

Sample priority research projects are:

1. Analysis of the economic capabilities of the principal allies of the United States to engage jointly in military action or to wage "cold war" in conjunction with the United States against the USSR and its satellites

a. Economic Capabilities of the NATO Powers (e.g. United Kingdom, Belgium, France) to Produce Selected Military Items Under the Current Rearmament Program

b. Capabilities of the non-Soviet Nations in a Joint Mobilization Effort to Meet Essential Civilian and Military Requirements for Selected Strategic and Critical Items (e.g., sulphur, copper, lead, zinc, aluminum, coal, steel, manganese)

c. Importance of Western Europe and the Middle East to United States Economic Capabilities for War

2. Analysis of the capabilities of the allies of the United States to maintain economic stability and to develop their economies

B-6

S-E-C-R-E-T

S-E-C-R-E-T

25X6

25X6

a. Capabilities of Selected Allied Nations [redacted] to Maintain Economic Stability Under the Current Rearmament Program

b. Capabilities of Selected Allied Nations to Carry Out Programs of Civilian Capital Formation and Improvement of Productivity Concurrently With the Discharge of Their Military Obligations

c. Economic Dependence [redacted] on Trade With China and Southeast Asia. Requirements for Foreign (primarily United States) Assistance 25X6

d. Consequences of Cessation of Trade With the Soviet Bloc for the Capabilities of Selected Allied Nations to Contribute to the Allied Military Effort and Develop Their Economies

e. Importance of Foreign Economic Assistance (primarily United States) to the Economic and Political Stability of Italy, Greece, and Turkey

f. Essential Elements of a Raw Material Program Designed to Meet the Requirements of Both Western Rearmament and Western Economic Stability and Development

g. Requirements for Economic Assistance in Korea During the War and During the Post-War Period of Rehabilitation

3. Studies of the economic vulnerability of the principal allies of the United States to measures of economic warfare (including sabotage), psychological warfare, and military attack (including strategic bombing), with special reference to the protective measures necessary to reduce this vulnerability

a. Vulnerability of the Economy of Non-Soviet Nations to Strategic Bombing, i.e., to Target Systems Most Likely to be Adopted by USSR

b. Vulnerability to Sabotage and Similar Covert Measures of Raw Material Supplies and Production Facilities of Strategic Importance to the Joint Mobilization Effort of the Non-Soviet Nations. Protective Actions Most Effective Against Such Measures.

c. Vulnerability of the Non-Soviet Nations to a Soviet Bloc Program of Economic Warfare. Relative Effectiveness of Various Overt Measures.

B-7

S-E-C-R-E-T



S-E-C-R-E-T

4. Studies of probable allied courses of military, political, and economic action with special reference to the extent of their alignment with and support for programs and measures affecting the security of the United States

a. Economic Activity of the Allies of the United States Which Reveals the Extent of Their Support for the Program of Export Controls Against the Soviet Bloc

D. Economic Analysis Relating to European and Asiatic Countries Not Now Clearly Aligned With Either Center of Power

The countries included in this list will no doubt change from time to time, but now include at least Sweden, Switzerland, Yugoslavia, Iran, India, and her neighbors, and much of Southeast Asia. Intelligence required on these countries differs from that needed on our firm allies in several ways. Firstly, much higher priority needs to be given to economic indications of the intentions of these countries. Secondly, studies of their capabilities to contribute to Soviet military strength and to assist the Western Powers are of about equal importance. Further, they are likely to be a principal battleground of ideological and economic warfare as conducted by both groups of powers. Their capabilities for economic development and our ability to influence their attitudes by assisting in this development are, therefore, of great importance. Unlike the major European allies, the economic problems of the Near Eastern and Far Eastern countries are not so much those of high employment and industrial stability and productivity as of exploitation of basic resources, organization and productivity of agriculture and promotion of public health and education.

In general, our economic information is inadequate on these countries not because we are denied access to it, as in the case of the Soviet bloc, but because it has never been assembled by anybody to anything like the extent prevalent in Western Europe. Strategic resources are important in many of these countries, but we have a great interest in their total economic position as well as in their specific commodity and service contributions.

Examples of problems are:

1. Analysis of the economic capabilities of "neutrals" to maintain their independence from the USSR and its satellites or to support the military and "cold war" efforts of the United States and its allies

a. Economic Capability of Yugoslavia to Defend Itself Against Satellite Attack. Significance of a Loss of the Danubian Plain

B-C

S-E-C-R-E-T

S-E-C-R-E-T

b. Economic Capabilities of "Neutral" Nations to Contribute to the Military Potential of the USSR

c. Economic Importance of These Nations to the Western Defense Effort

2. Analysis of the capabilities of "neutrals" to maintain economic stability and to develop their economies

a. Capability of Selected "Neutral" Countries (e.g., Iran, India, and Yugoslavia) to Maintain Economic Stability and to Develop Their Economies. Requirements for Foreign Assistance

3. Analysis of the economic vulnerability of "neutral" countries to economic, political, psychological, and military measures, with special reference to the possible influence of these measures on their alignment with and economic support for either group of powers

a. Vulnerability of Selected "Neutral" Nations to Economic Pressure from the Soviet Bloc Designed to Force Economic Alignment With It.

b. Allied Capacity to Influence Attitudes and Allegiance of Asiatic Countries Through Economic Development Programs

4. Analysis of probable "neutral" courses of military, political and economic action with special reference to the extent of their alignment with and support for programs and measures affecting the security of the United States

a. Economic Activity of "Neutral" Nations Which Reveals the Extent of Their Support for the Program of Export Controls Against the Soviet Bloc

E. Economic Analysis Relating to the Availability, the Importance to Either Set of Powers, and the Vulnerability to Interruption of the Flow of Specific Strategic Materials and Services from Other Areas, Principally Africa and Latin America

The general economic situation in areas other than those outlined in B, C, and D above is important for many aspects of United States policy. The impact on our national security position of general economic conditions, capabilities, and intentions in such regions as Africa and Latin America is of considerable importance since the United States depends vitally

S-E-C-R-E-T

upon the strategic raw material resources of these areas, the exportable surplus of which has to be shared by the Western Allies. It should also be noted that part of these raw materials are being exported to the Soviet Bloc. The intelligence most urgently required on these areas, then, is specific details on a limited number of resources and facilities, actual and potential.

Intelligence on economic development programs and possibilities in these areas is of interest more for the effect of such programs on strategic material availabilities than for their impact on general conditions or standards of living.

The required information will normally be accessible, though some kinds of data such as that on foreign financial holdings, international corporate connections, and ultimate country of destination of shipments sometimes has to be secured covertly.

Examples of priority economic intelligence studies are:

- a. Possibilities of Expanding the Output of Selected Strategic Materials Critical to the Allied Defense Effort Through Development Programs
- b. Organizational and Physical Channels Through Which Critical Materials Reach the Soviet Bloc. Vulnerability of these Channels to Interruption
- c. Possibilities of Substituting Other Sources of Strategic Materials Now Denied from (a) Western Europe, (b) Southeast Asia, and in the Event of Loss of Either or Both These Areas to the Soviet Bloc
- d. Probable Reaction of Countries in This Group to Economic Warfare Measures of the Allies Against the Soviet Bloc. Degree of Cooperation to be Expected

III. Reports for Use in Support of Operations or in Implementation of Existing United States Government Plans and Policies

A. Introduction

Agencies engaged in the implementation of certain United States Government plans and policies continually require a large volume of economic intelligence reports to support their operating activities. These reports generally must contain current and detailed economic intelligence evaluated against the background of the basic studies of capabilities, vulnerabilities and intentions noted in the preceding section (Section II).

S-E-C-R-E-T

Agencies responsible for carrying out particular plans and policies must know which intelligence offices are primarily responsible for supplying the economic intelligence needed to support their activities. Listed below are suggestions of the kinds of economic intelligence which are required for operational purposes on either a continuing or an ad hoc basis.

B. Economic Reports in Support of Military Plans and Operations

1. Reports on the Logistical Capabilities of the USSR and Its Satellites During Specific Operations
2. Reports on Strategic and Tactical Targets Within Areas Controlled by the USSR and Its Satellites During Specific Operations
3. Reports Relating to Logistical Support for United States and Allied Forces During Specific Operations
4. Reports on Economic Conditions Bearing on the Maintenance of Law and Order and the Prevention of Disease and Unrest in Areas Under United States and Allied Military Control

C. Economic Reports in Support of Current United States and Allied Psychological and Diplomatic Measures to Weaken the USSR and Its Satellites or to Strengthen the Allies of the United States and "Neutrals"

This applies both during wartime and during the "cold war"

1. Economic Reports to Support Voice of America
2. Economic Reports to Support the President's Committee on Raw Materials
3. Economic Reports in Support of Certain Diplomatic Negotiations (e.g. negotiations relating to:
  - a. the security of strategically important industrial operations in foreign countries;
  - b. a civil aviation agreement with respect to the Soviet bloc; and
  - c. economic assistance for specific countries)

D. Economic Reports in Support of United States and Allied Economic Warfare Measures (Overt and Covert) to Weaken the USSR and its Satellites

B-11

S-E-C-R-E-T

S-E-C-R-E-T

This applies both during wartime and during the present "cold war"

1. Economic Reports Relating to Export Controls
2. Economic Reports Relating to Foreign Funds Control
3. Economic Reports in Support of Preclusive Buying
4. Economic Reports in Support of Covert Measures

E. Economic Reports in Support of Current United States and Allied Programs of Economic Assistance and Joint Mobilization for Defense

1. Economic Reports in Support of NSRB
2. Economic Reports in Support of United States Stockpile Program
3. Economic Reports in Support of Specific Economic Assistance Program (e.g., Aid to Yugoslavia).

B-12

S-E-C-R-E-T